

## Message Text

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PAGE 01 NEW DE 11789 221525Z  
ACTION AID-59

INFO OCT-01 NEA-10 ISO-00 EB-08 IGA-02 L-03 OES-07  
SP-02 OMB-01 TRSE-00 /093 W  
-----002177 222035Z /64  
R 221217Z AUG 77  
FM AMEMBASSY NEW DELHI  
TO SECSTATE WASHDC 5538

C O N F I D E N T I A L NEW DELHI 11789

EO 11652: GDS  
TAGS: EAID, IN  
SUBJ: ECONOMIC ASSISTANCE TO INDIA

REF: NEW DELHI 11723

1. ECONOMIC COUNSELOR HAD INFORMAL DISCUSSIONS WITH  
S.V.S. JUNEJA, JOINT SECRETARY, MOF, TO ELIEIT HIS  
VIEWS ON USE OF EXCESS CURRENCY IN AN AID PROGRAM.

2. JUNEJA, IN RESPONDING, USED FAMILIAR ARGUMENTS:  
A. THAT THIS WOULD NOT BE TRANSFER OF RESOURCES  
AND WOULD THEREFORE REPRESENT A REDUCTION IN AID  
LEVELS.

B. THAT SUBSTANTIAL DRAWDOWNS FROM THE ACCOUNT  
WOULD BE INFLATIONARY.

C. THAT USE OF EXCESS CURRENCY IS GOVERNED BY THE  
RUPEE AGREEMENT. LIMITATIONS ON USE AND LEVEL OF  
ANNUAL DRAWDOWN WERE MEANT TO PREVENT DISRUPTIVE  
IMPACT ON THE ECONOMY.

D. THAT IF A DEVELOPMENT ASSISTANCE LOAN IS MADE  
IN DOLLARS, BUT PART OF IT IS EXCESS CURRENCY, GOI  
WOULD IN EFFECT BE CONVERTING EXCESS CURRENCY INTO  
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DOLLARS FOR REPAYMENT.

E. ON THE OTHER HAND, HE SAID, A MODEST GRANT OF  
RUPEES APPROVED BY THE GOI FOR SEPARATE ACTIVITIES AND  
CONSIDERED TO BE ADDITIONAL TO US AID LEVELS MIGHT  
BE FEASIBLE.

3. IN ADDITION, JUNEJA REFERRED TO THEIR PAST PROBLEMS ON US AID AND SUGGESTED THAT TO INTRODUCE THE USE OF EXCESS CURRENCY ELEMENT INTO THE AID DISCUSSIONS MIGHT REQUIRE ANOTHER REVIEW AT A HIGH POLITICAL LEVEL.

4. COMMENT: ALTHOUGH THERE ARE NO NEW ARGUMENTS IN JUNEJA'S COMMENTS, EMBASSY BELIEVES IT IMPORTANT FOR AGENCIES IN WASHINGTON CONSIDERING THE LOCAL COST FINANCING ISSUE (AND THE USE OF EXCESS CURRENCY IN CONNECTION WITH IT) TO KNOW WHAT GOI REACTION IS LIKELY TO BE. IN THE CASE OF INDIA, THESE TAKE ON ADDED IMPORTANCE IN VIEW OF OUR RUPEE AGREEMENT, WHICH GOVERNS USE OF OUR EXCESS CURRENCY HERE.  
GOHEEN

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## Message Attributes

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**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC ASSISTANCE  
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**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Reference:** 77 NEW DELHI 11723  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009